

Manufacturers' Inventory and Sales Expectations, Second and Third Quarters 1971

MANUFACTURERS expect moderate inventory additions during the second and third quarters; they also look forward to sizable sales gains in the same period. These expectations imply that the recent decline in stock-sales ratios will continue through September 30.

Manufacturers also reported inventories in better balance on March 31 than at any time since late 1968. Both the percentage of producers' stocks held by companies who judged their inventories "high" and the amount of imbalance in the holdings of these companies fell in the first quarter.

These are the results of the OBE quarterly Inventory and Sales Expectations Survey conducted in May.

Inventory additions

Manufacturers' inventories fell \$200 million during the first 3 months this year, the first quarterly decline in about 10 years. Manufacturers now expect additions of \$600 million this quarter and \$900 million in the third.

Durable goods producers, who cut inventories \$200 million in the first quarter, expect additions of \$350 million in the March-June period and \$600 million in June-September. Additions averaged \$500 million per quarter in 1970.

Nondurable goods producers' inventories showed little change in the opening quarter of 1971, after rising an average of \$400 million per quarter last year. These producers expect to add \$200 million to stocks in the second quarter and \$300 million in the third.

Both durable and nondurable goods producers reduced their stock-sales ratios between December 31 and March 31. They project further decreases through September 30. Durable goods producers' stocks on March 31 were equivalent to 2.09 months of sales at

the average first quarter rate. The ratio is projected at 2.05 on June 30 and 1.99 on September 30. The non-durables ratio was 1.30 on March 31 and is projected at 1.28 on June 30 and 1.26 on September 30.

Sales expectations

Manufacturers expect sales advances of 2 percent in the second quarter and 3 percent in the third. These gains are below the 5 percent rise of the first

quarter, when the economy was recovering from the auto strike, but exceed the performance last year when sales fell in the opening and closing quarters and rose moderately in the other two.

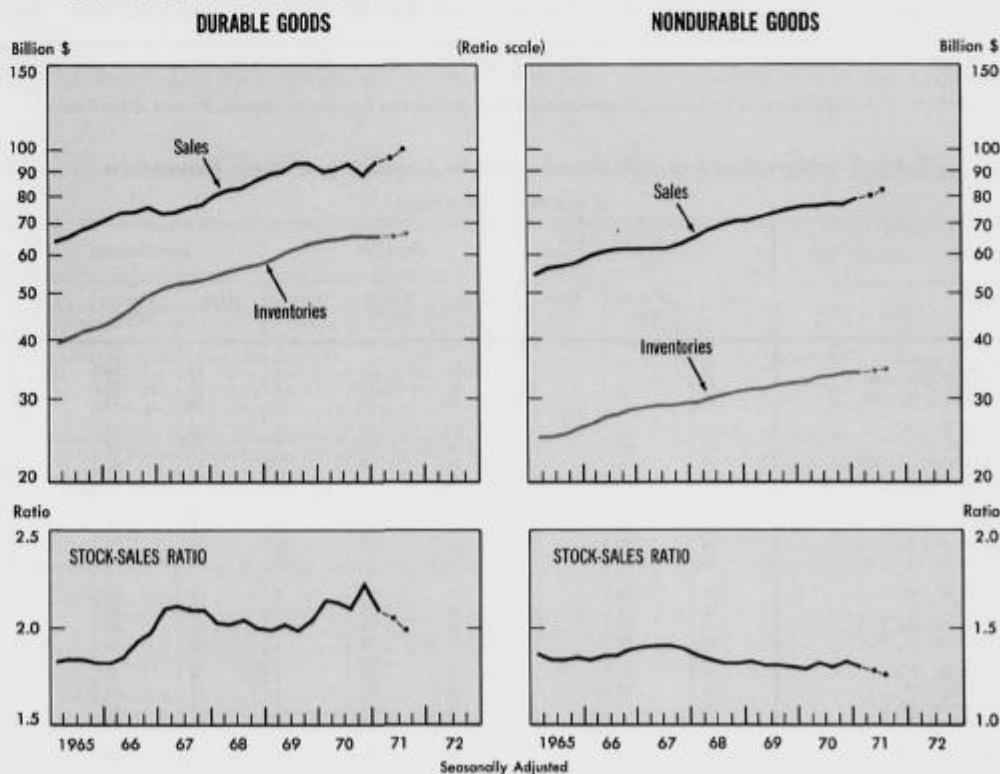
Durable goods producers' sales rose 6½ percent in the first quarter—more than offsetting the fourth quarter decline—with auto and steel sales showing especially strong increases. An increase of 2 percent is projected for the second quarter and 4 percent for the third. Steel producers expect a sharp gain this quarter, followed by a decline in the third. Auto producers' sales are expected to decline this quarter, following the sharp post-strike rise, and then to advance in the third. Suppliers of construction materials expect sizable gains in both periods.

Nondurable goods producers' sales rose 3 percent in the first quarter. They are expected to rise 1½ percent in the

CHART 10

Manufacturers' Sales and Inventory Expectations

- Sales growth in second and third quarters expected to exceed last year's pace; inventories expected to rise moderately
- Stock-sales ratios to continue recent decline



• Expectations

U.S. Department of Commerce, Office of Business Economics

71-5-10

second and 2½ percent in the third. The expected changes are a considerable improvement over last year's experience. Both paper and rubber producers are projecting substantial advances this quarter and next.

Inventory condition, March 31

Manufacturers began last September 30 to report improvements in inventory

condition relative to prospective sales and unfilled orders. Companies holding 19 percent of producers' stocks judged their March 31 inventories "high"—a lower proportion than in any quarter of 1969 or 1970.

Companies holding 22 percent of durable goods stocks considered their inventories "high"—down 1 percentage point from December 31 and 5 points

from last March 31, when the ratio was close to its cyclical peak. Metal producers reported 17 percent of their holdings in the "high" category at the end of March; metal fabricators, 23 percent.

A "high" ratio of 13 percent was reported by nondurable goods producers—down 3 points from yearend and 6 points from March 1970.

The major proportion of stocks was judged "about right"—77 percent for durables and 85 percent for nondurables. The "low" ratio remained insignificant at 1 and 2 percent, respectively.

Inventory imbalance, March 31

Manufacturers reported that their March 31 inventories were \$2.1 billion in excess of needs (netting excesses of companies with "high" stocks against deficiencies of companies with "low" stocks). This excess is equivalent to 2.1 percent of all producers' stocks. Excesses have been falling for the past year but the first quarter decline was larger than that of any 1970 quarter.

(Continued on page 23)

Table 1.—Manufacturers' Inventories and Sales: Actual and Expected

(Billions of dollars)

	1968				1969				1970				1971		
	I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III
Inventories, end of quarter:															
Unadjusted:															
All manufacturing.....	84.3	85.6	83.4	85.2	90.9	92.3	93.4	95.5	97.5	98.1	97.8	99.1	99.9	100.4	100.1
Durables.....	54.6	55.6	55.1	57.0	60.3	60.0	61.0	63.1	64.5	64.8	64.8	65.1	65.7	65.1	65.0
Nondurables.....	29.7	30.0	28.3	31.2	31.6	32.3	32.4	32.4	33.0	33.3	33.0	34.0	34.2	34.3	34.2
Seasonally adjusted:															
All manufacturing.....	83.8	85.6	87.1	88.6	90.4	92.3	94.3	95.0	97.0	97.7	98.7	99.8	100.4	100.0	100.0
Durables.....	54.3	55.6	56.5	57.4	59.0	60.6	62.1	63.5	64.8	65.4	65.3	65.6	65.4	65.7	65.3
Nondurables.....	29.5	30.1	30.6	31.2	31.4	31.7	32.1	32.4	32.7	33.3	33.3	34.1	34.1	34.3	34.0
Sales, total for quarter:															
Unadjusted:															
All manufacturing.....	144.0	158.0	145.7	157.1	150.1	158.0	162.2	168.6	165.1	171.3	165.4	164.8	172.2	161.5	173.7
Durables.....	80.5	85.6	78.1	86.4	80.7	81.7	88.5	93.7	90.1	94.6	88.8	88.2	94.3	103.4	94.7
Nondurables.....	64.4	72.3	67.6	70.7	70.8	73.2	73.7	74.8	75.1	76.7	76.6	76.6	77.9	58.1	79.0
Seasonally adjusted:															
All manufacturing.....	145.4	140.0	152.6	156.6	150.6	152.3	157.4	158.1	165.0	155.5	170.2	164.8	172.9	170.3	182.1
Durables.....	80.3	82.2	83.1	84.0	88.8	88.0	93.7	93.3	96.0	90.8	93.4	88.2	94.0	100.1	100.0
Nondurables.....	65.1	57.8	69.5	70.7	70.8	72.6	73.7	74.8	78.9	75.0	76.7	76.6	78.9	80.2	82.1

1. Expectations reported by manufacturers in May 1971. Inventory expectations have been corrected for systematic biases.

Sources: U.S. Department of Commerce, Expectations, Office of Business Economics; actuals, Bureau of the Census.

Table 2.—Manufacturers' Evaluation of the Condition of their Inventories¹

(Percentage distribution)

	Total			Durables			Nondurables		
	High	About right	Low	High	About right	Low	High	About right	Low
June 30, 1968.....	18	78	4	21	75	4	13	83	4
September 30, 1968.....	22	75	3	27	70	3	14	82	3
December 31, 1968.....	28	70	2	33	65	2	16	70	2
March 31, 1969.....	31	68	1	37	62	1	20	78	2
June 30, 1969.....	31	67	2	36	63	1	20	75	4
September 30, 1969.....	27	60	4	34	63	3	14	81	4
December 31, 1969.....	28	72	3	31	67	2	14	81	4
March 31, 1970.....	26	72	3	31	66	3	14	82	3
June 30, 1970.....	25	72	3	31	67	2	10	80	4
September 30, 1970.....	24	73	3	28	70	2	10	79	4
December 31, 1970.....	18	88	2	10	79	2	10	83	2
March 31, 1971.....	20	78	2	21	77	2	17	82	1
June 30, 1971.....	21	77	2	22	76	2	18	80	2
September 30, 1971.....	23	76	1	26	73	1	17	82	1
December 31, 1971.....	23	76	1	23	73	2	18	81	1
March 31, 1972.....	24	75	1	27	73	1	10	80	1
June 30, 1972.....	24	75	1	28	71	1	17	81	2
September 30, 1972.....	22	77	1	25	74	1	18	82	2
December 31, 1972.....	21	78	1	23	70	1	16	83	1
March 31, 1973.....	10	70	2	22	77	1	13	85	2

1. Condition of inventories relative to sales and unfilled orders as viewed by reporting companies. Percent distribution of inventory book values according to companies' classifications of their inventory condition.

NOTE.—Due to change in survey questionnaire, data starting December 31, 1969 are not strictly comparable to prior data. Source: U.S. Department of Commerce, Office of Business Economics.

Table 3.—Inventory Imbalance

	Inventory excess	Inventory deficiency	Net excess	
			Amount	Percent of total inventories
All manufacturers:				
Dec. 31, 1968.....	1.73	0.28	1.45	1.7
Mar. 31, 1969.....	1.87	.23	1.71	1.9
June 30, 1969.....	1.95	.24	1.73	1.9
Sept. 30, 1969.....	2.26	.15	2.31	2.4
Dec. 31, 1969.....	2.58	.15	2.43	2.5
Mar. 31, 1970.....	2.68	.10	2.48	2.5
June 30, 1970.....	2.62	.15	2.47	2.5
Sept. 30, 1970.....	2.46	.11	2.37	2.4
Dec. 31, 1970.....	2.44	.13	2.31	2.3
Mar. 31, 1971.....	2.26	.14	2.12	2.1
Durable goods:				
Dec. 31, 1968.....	1.19	.20	.99	1.7
Mar. 31, 1969.....	1.31	.12	1.19	2.0
June 30, 1969.....	1.35	.13	1.17	1.9
Sept. 30, 1969.....	1.75	.11	1.64	2.7
Dec. 31, 1969.....	1.91	.12	1.78	2.8
Mar. 31, 1970.....	1.97	.09	1.88	2.8
June 30, 1970.....	2.00	.10	1.90	2.9
Sept. 30, 1970.....	1.94	.07	1.87	2.9
Dec. 31, 1970.....	1.88	.07	1.81	2.8
Mar. 31, 1971.....	1.70	.07	1.70	2.0
Nondurable goods:				
Dec. 31, 1968.....	.54	.05	.49	1.6
Mar. 31, 1969.....	.56	.04	.52	1.6
June 30, 1969.....	.61	.08	.53	1.7
Sept. 30, 1969.....	.61	.04	.57	1.8
Dec. 31, 1969.....	.60	.03	.58	1.7
Mar. 31, 1970.....	.61	.01	.60	1.8
June 30, 1970.....	.62	.05	.57	1.7
Sept. 30, 1970.....	.64	.01	.63	1.6
Dec. 31, 1970.....	.65	.06	.59	1.5
Mar. 31, 1971.....	.60	.07	.53	1.3

* Revised.

Sources: U.S. Department of Commerce, Office of Business Economics.

Payments

Americans paid about \$1,215 million in transocean passenger fares to foreign sea and air carriers. About \$970 million was for air travel, the remainder largely on cruise ships. Sea carriers earned about 14 percent more from U.S. travelers than in 1969, as cruise business prospered while regular transocean service continued to decline.

Freight payments to foreign ship operators moving U.S. imports rose \$100 million to about \$1.4 billion in 1970. Higher freight rates, in part a reflection of a strong charter hire market, accounted for most of the rise. An added factor was a somewhat greater volume of U.S. import cargo moved aboard foreign vessels than in 1969, when a dock strike early in the year caused disruptions in service. Payments to foreign air carriers for freight transportation were \$122 million, 4 percent under the record set in 1969.

U.S. ocean carriers' port expenses abroad rose to more than \$300 million in 1970, renewing the uptrend that had been interrupted in 1969 by the effects of the dock strike.

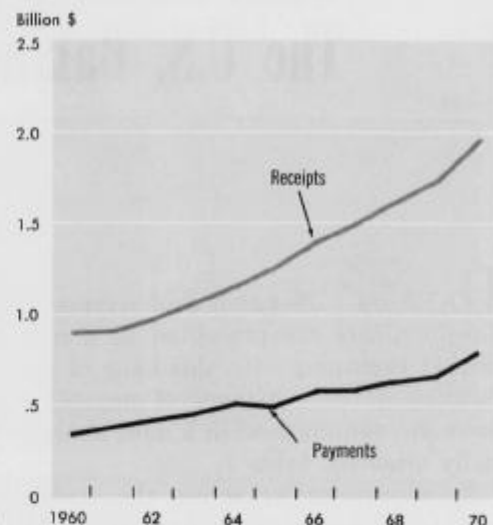
U.S. air carriers' port expenses abroad, which are primarily associated with transportation of passengers, rose 22 percent in 1970 to \$500 million. The rise reflected the larger volume of international passenger travel during the year.

Receipts

U.S. receipts from ocean transportation last year were nearly \$2.3 billion, 17 percent higher than in 1969. The total included \$800 million earned carrying U.S. exports as well as freight between foreign countries, \$1.4 billion in port expenditures here, and \$34 million from other sources, including about \$3 million from ocean passenger fares. While trade tonnage carried on U.S. ships has changed little in recent years, higher average freight rates received by U.S. ship operators, often for handling choice, high-value cargoes, yielded increased total freight receipts. Rising handling charges have been boosting U.S. receipts from foreign carriers' port expenditures here.

Foreigners paid almost \$1.3 billion to the United States for air transportation and related services in 1970. Earnings from passenger fares, including \$175 million for fares of foreigners between foreign destinations, increased about 24 percent to a total of \$550 million. Foreign airliners' port expenses

U.S. Payments and Receipts for Carriers' Port Expenditures



U.S. Department of Commerce, Office of Business Economics

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Table 10.—International Passenger Fare and Other Transportation Transactions

[Millions of dollars]

Type of transportation	1966	1967	1968 *	1969 *	1970
Total payments	2,922	2,993	3,257	3,560	4,094
Ocean passenger fares....	200	195	190	215	245
Other ocean transportation.....	1,733	1,684	1,836	1,849	2,074
Import freight.....	1,187	1,164	1,269	1,281	1,386
Port expenditures.....	294	271	289	264	312
Charter hire.....	252	249	278	304	376
Air passenger fares.....	555	635	695	865	970
Other air transportation.....	341	385	441	534	618
Import freight.....	47	58	78	127	122
Port expenditures.....	294	327	363	407	496
Other.....	93	94	95	97	97
Total receipts	2,608	2,790	2,946	3,113	3,639
Ocean passenger fares....	10	8	7	8	3
Other ocean transportation.....	1,833	1,843	1,902	1,922	2,255
Freight.....	698	674	690	644	800
Port expenditures.....	1,154	1,162	1,206	1,267	1,424
Other.....	11	7	6	11	31
Air passenger fares.....	307	363	405	443	550
Other air transportation.....	346	457	502	607	705
Freight.....	112	126	127	143	187
Port expenditures.....	234	331	375	464	518
Other.....	112	119	130	133	146
Net payments	314	203	311	447	345

* Revised.

Source: U.S. Department of Commerce, Office of Business Economics.

in the United States, mostly connected with passenger traffic, rose 12 percent to \$518 million. Air freight on U.S. exports and on shipments between foreign points earned \$187 million for U.S. airlines in 1970, continuing the steady uptrend in this service.

Other transportation earnings, representing receipts from Canada and Mexico for rail and pipeline transportation and Great Lakes shipping, totaled \$146 million in 1970.

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On March 31, durable goods producers estimated their net inventory excess at \$1.70 billion, compared to \$1.81 billion at yearend and \$1.88 billion a year earlier. The proportion of the excess to total holdings fell from 2.9 percent on March 31, 1970, to 2.6 percent on March 31, 1971.

Nondurable goods producers' net excess at the end of March was \$430 million, compared with \$500 million on December 31 and \$600 million on March 31 last year. The net excess on March 31, 1971, equaled 1.3 percent of all nondurable goods producers' stocks, down from 1.8 percent a year earlier.